



REDACTED – FOR PUBLIC INSPECTION

VIA ECFS

June 28, 2017

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Room TW-A325
Washington, DC 20554

**RE: Five Area Telephone Cooperative, Inc., SAC 442071
Submission of FCC Form 481 Annual Report
WC Docket No. 14-58 – ETC Annual Reports and Certifications**

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, Five Area Telephone Cooperative, Inc. (“the Cooperative”), Study Area Code 442071, hereby files its FCC Form 481 – Carrier Annual Reporting Data Collection Form. *The version of the Cooperative’s FCC Form 481 submitted via the FCC’s Electronic Comment Filing System (ECFS) is a redacted version of the filing that contains no confidential information.*

Section 3005 of FCC Form 481 requires privately-held rate-of-return carriers receiving high cost support to attach a full and complete annual report of the company’s financial condition and operations pursuant to 47 C.F.R. §54.313(f)(2). Five Area Telephone Cooperative, Inc., by its authorized representative, hereby seeks confidential treatment of its financial annual report pursuant to the March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58.¹ The *Protective Order* specifically covers the information required by 47 C.F.R. §54.313(f)(2).

Five Area Telephone Cooperative, Inc. is providing to the Office of the Secretary, under seal, this cover letter and the FCC Form 481 filing which includes the

T (972) 387-4300
F (972) 960-2810

8750 N. Central Expressway
Suite 300
Dallas, TX 75231

Assurance, tax, and consulting offered through
Moss Adams LLP. Wealth management offered through
Moss Adams Wealth Advisors LLC. Investment banking
offered through Moss Adams Capital LLC.

¹ *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Protective Order, 31 FCC Rcd 2089 (2016).

confidential information that is being requested to be withheld from public inspection.

Each page of the Cooperative's financial annual report and the financial summary page on the FCC Form 481 bear the legend, "CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as attachments to the FCC Form 481.

In the filing submitted via the ECFS, all pages containing confidential information bear the legend "REDACTED – FOR PUBLIC INSPECTION."

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

The FCC Form 481 has also been filed with the relevant state commissions and Tribal governments, as appropriate.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart Polikoff". The signature is fluid and cursive, with the first name "Stuart" and last name "Polikoff" clearly distinguishable.

Stuart Polikoff
Authorized Representative for
Five Area Telephone Cooperative, Inc.

ss/kr

cc: Mark Washington, Five Area Telephone Cooperative, Inc.

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442071
<015>	Study Area Name	FIVE AREA TEL. COOP. INC
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Patti Kent
<035>	Contact Telephone Number: Number of the person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	pattik@fivearea.com
	Form Type	54.313 and 54.422

<010>	Study Area Code	442071
<015>	Study Area Name	FIVE AREA TEL. COOP. INC.
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<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

<210> For the prior calendar year, were there any reportable voice service outages? No

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**(300) Unfulfilled Service Request
Data Collection Form**

 FCC Form 481
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 July 2013

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<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

<300> Unfulfilled service request (voice)

0

<310> Detail on attempts (voice)

Name of Attached Document

<320> Unfulfilled service request (broadband)

0

<330> Detail on attempts (broadband)

Name of Attached Document

<010>	Study Area Code	442071
<015>	Study Area Name	FIVE AREA TEL. COOP. INC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Patti Kent
<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed voice	
<410>	Complaints per 1000 customers for fixed voice	0 . 0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed broadband	
<440>	Complaints per 1000 customers for fixed broadband	0 . 0
<450>	Complaints per 1000 customers for mobile broadband	

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<015>	Study Area Name	FIVE AREA TEL. COOP. INC
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<030>	Contact Name - Person USAC should contact regarding this data	Patti Kent
<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
442071tx510.pdf		
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	
<515>	Certify compliance with applicable minimum service standards	

(600) Functionality in Emergency Situations		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

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<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	442071tx610.pdf

<010>	Study Area Code	442071
<015>	Study Area Name	FIVE AREA TEL. COOP. INC.
<020>	Program Year	2018
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<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

-- See attached worksheet --

**(800) Operating Companies
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com
<810>	Reporting Carrier	Five Area Telephone Cooperative, Inc.
<811>	Holding Company	Five Area Telephone Cooperative, Inc.
<812>	Operating Company	Five Area Telephone Cooperative, Inc.

[illegible]

**(900) Tribal Lands Reporting
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

<900> Does the filing entity offer tribal land services? (Y/N) No

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

**(1000) Voice and Broadband Service Rate Comparability
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 442071tx1010.pdf

Name of Attached Document

<1020> Broadband comparability certification Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance 442071tx1030.pdf

Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

<1100> Certify whether terrestrial backhaul options exist (Y/N)

Yes

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

442071tx1210.pdf

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- | | | |
|--------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| <1221> | Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, | <input checked="" type="checkbox"/> |
| <1222> | Details on the number of minutes provided as part of the plan, | <input checked="" type="checkbox"/> |
| <1223> | Additional charges for toll calls, and rates for each such plan. | <input checked="" type="checkbox"/> |

(2005) Price Cap Carrier Additional Documentation

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

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Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

- <2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.
- <2022> Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
- <2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2024A> Round 2 Recipient of Incremental Support?
- <2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2025A> Round 2 Recipient of Incremental Support?
- <2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).
- <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing
Required Information

Name of Attached Document Listing
Required Information

(2005) Price Cap Carrier Additional Documentation

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

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Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)	Yes - Attach Certification	
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}		442071tx3010.pdf
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	Yes - Attach New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	442071tx3012.xlsm
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:			
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input checked="" type="checkbox"/>
If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	442071tx3026.pdf

(3005) Rate Of Return Carrier Additional Documentation (Continued)		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

Financial Data Summary

(3027) Revenue

(3028) Operating Expenses

(3029) Net Income

(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends



<010>	Study Area Code	442071
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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission’s public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information

**Certification - Reporting Carrier
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
-----------------------------------------------------------------	----------------------------------------------------------------------------------

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<039> Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Moss Adams LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	<u>Moss Adams LLP</u>
Name of Reporting Carrier:	<u>FIVE AREA TEL. COOP. INC</u>
Signature of Authorized Officer:	<u>CERTIFIED ONLINE</u> Date: <u>06/27/2017</u>
Printed name of Authorized Officer:	<u>Mark Washington</u>
Title or position of Authorized Officer:	<u>CEO</u>
Telephone number of Authorized Officer:	<u>8062725533 ext.</u>
Study Area Code of Reporting Carrier:	<u>442071</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	<u>FIVE AREA TEL. COOP. INC</u>
Name of Authorized Agent Firm:	<u>Moss Adams LLP</u>
Signature of Authorized Agent or Employee of Agent:	<u>CERTIFIED ONLINE</u> Date: <u>06/27/2017</u>
Name of Authorized Agent Employee:	<u>Samantha Simatos</u>
Title or position of Authorized Agent or Employee of Agent	<u>Accounting Technician</u>
Telephone number of Authorized Agent or Employee of Agent:	<u>5097770209 ext.</u>
Study Area Code of Reporting Carrier:	<u>442071</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

(700) Price Offerings including Voice Rate Data Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---------------------------------------------------------------------------------------	----------------------------------------------------------------------------------

July 2013

<010>	Study Area Code	442071
<015>	Study Area Name	FIVE AREA TEL. COOP. INC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Patti Kent
<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	

<703>

[illegible]

(710) Broadband Price Offerings Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
-----------------------------------------------------------------------	----------------------------------------------------------------------------------

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

[illegible]

(800) Operating Companies	FCC Form 481
Data Collection Form	OMB Control No. 3060-0986/OMB Control No. 3060-0819
	July 2013

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	442071
<015>	Study Area Name	FIVE AREA TEL. COOP. INC
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Patti Kent
<035>	Contact Telephone Number - Number of person identified in data line <030>	8062725533 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	pattik@fivearea.com
<810>	Reporting Carrier	Five Area Telephone Cooperative, Inc.
<811>	Holding Company	Five Area Telephone Cooperative, Inc.
<812>	Operating Company	Five Area Telephone Cooperative, Inc.

[illegible]

LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE

Five Area Telephone Cooperative, Inc. (“the Cooperative”) complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Cooperative operates are outlined in its local exchange tariff, which is approved by the Public Utility Commission of Texas (“Texas PUC”). The tariff contains provisions regarding the Cooperative’s customer service and protection practices.

Service quality standards for voice service are established by the Texas PUC. The Cooperative consistently meets or exceeds those standards and provides reports to the Texas PUC, in accordance with the Texas PUC’s rules.

With regard to broadband service, the Cooperative provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a “best effort” service and are dependent upon a number of variables, many of which are outside the control of the Cooperative. The Cooperative also complies with the FCC’s Open Internet rules, 47 C.F.R. §§8.3-8.11. These rules prohibit blocking, throttling, and paid prioritization, and also require the Cooperative to publicly disclose information regarding its network management practices, performance, and the commercial terms of its broadband services.

The Cooperative complies with any and all consumer protection obligations under state law.

The Cooperative also complies with the following consumer best practices: (1) the Cooperative discloses its rates and terms of service to customers; (2) the Cooperative provides specific disclosures in its advertising; (3) the Cooperative separately identifies carrier charges from taxes on its billing statements; (4) the Cooperative provides ready access to customer service; (5) the Cooperative promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Cooperative abides by policies for protection of consumer privacy.

Finally, the Cooperative has a policy and established operating procedures that comply with the FCC’s Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011).

LINE 610 - ABILITY TO FUNCTION IN EMERGENCY SITUATIONS

Five Area Telephone Cooperative, Inc. (the “Cooperative”) is able to function in emergency situations for both voice and broadband service. The Cooperative has a reasonable amount of back-up power to ensure functionality without an external power source. Standby power generators are supplied at the central office, remote switch sites, and repeater sites to ensure functionality without an external power source until power is restored. The network is capable of managing traffic spikes resulting from emergency situations.

The Cooperative is able to reroute traffic around damaged facilities. Although the Cooperative’s ability to reroute traffic around damaged facilities is not absolute and may be limited in certain circumstances, there is a restoration plan in place for expeditious recovery of service, including splicing of damaged facilities when warranted.

LINE 1010 – VOICE SERVICES RATE COMPARABILITY

The Wireline Competition Bureau’s 2017 reasonable comparability benchmark for voice services is \$49.51, which includes the federal subscriber line charge (“SLC”).¹

In the exchanges served by Five Area Telephone Cooperative, Inc. (“the Cooperative”), the highest single-line residential local rate in effect as of January 1, 2017 was \$18.50. When the federal SLC (\$6.50) is included, the total rate was \$25. Therefore, the Cooperative’s pricing of fixed voice services is less than the reasonable comparability benchmark of \$49.51.

¹ *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017).

LINE 1030 – BROADBAND SERVICES RATE COMPARABILITY

As of January 1, 2017, Five Area Telephone Cooperative, Inc. was charging a residential rate of \$76.90 for broadband providing 10 Mbps download, 1 Mbps upload, and an unlimited usage allowance. This rate is lower than \$77.98, which is the 2017 reasonable comparability benchmark for the same offering established by the Wireline Competition Bureau.¹

¹ *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017).

LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS

Residential customers of Five Area Telephone Cooperative, Inc. (“the Cooperative”) who qualify for the Lifeline Program receive a discount of \$12.75 (\$9.25 federal discount + \$3.50 state discount) on local voice telephony service.

The Lifeline single-line residential rates, including the federal subscriber line charge (“SLC”), are provided below for Cooperative’s exchanges:

Bula Exchange is \$12.25 (\$25.00 standard rate - \$12.75 Lifeline discount).

Lariat, Lazbuddie, Lehman, Maple and Needmore Exchanges are \$11.75 (\$24.50 standard rate - \$12.75 Lifeline discount).

All single-line residential customers, including Lifeline customers, have an unlimited number of minutes for calls made within their local calling area.

Lifeline customers may subscribe to toll service offered by Five Area Long Distance at a non-discounted rate of \$.16/min. Lifeline customers may also choose another long distance carrier. Customers may elect to subscribe to toll blocking at no charge.

Lifeline Program reductions do not apply to additional services such as custom calling features. Lifeline customers may subscribe to these services, where available, at the same rates offered to other customers.

Lifeline customers may subscribe to any residential voice telephony service package that is generally available to the public and will receive a \$12.75 discount off the regular price of the package.

Additional information regarding the terms and conditions of voice telephony Lifeline plans can be found at: <http://www.fivearea.com/images/homepage/lifeline.pdf>.

LINE 3010 – CERTIFICATION OF PUBLIC INTEREST OBLIGATIONS

Five Area Telephone Cooperative, Inc. (“the Cooperative”) hereby certifies that the Cooperative has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, and that requests for such service were met within a reasonable amount of time.

Template for Reporting Community Anchor Institutions (Lines 2018, 3012B, and 4003B)

Number	Name	Street Address	State	Zip
1	Pep High School	P.O. Box 394, Pep, TX	Texas	79353
2				
3				
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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

MULESHOE, TEXAS

**CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING
AND ACCOMPANYING INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

MULESHOE, TEXAS

**CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING
AND ACCOMPANYING INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
MULESHOE, TEXAS**

**CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING
AND ACCOMPANYING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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Consolidated Statements of Income and Patronage Capital	Exhibit B	4
Consolidated Statements of Comprehensive Income	Exhibit C	5
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Statement of Cash Flows	Schedule 8	34

**FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
MULESHOE, TEXAS**

**CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING
AND ACCOMPANYING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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Patronage Capital	Schedule 11	37

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

Board of Directors
Five Area Telephone Cooperative, Inc. and Subsidiaries
Muleshoe, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Five Area Telephone Cooperative, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income and patronage capital, comprehensive income and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Five Area Telephone Cooperative, Inc. and Subsidiaries' preparation and fair presentation to the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Five Area Telephone Cooperative, Inc. and Subsidiaries' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Five Area Telephone Cooperative, Inc. and Subsidiaries as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Consolidating and Accompanying Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information consisting of balance sheets, statements of income (loss) and patronage capital, comprehensive income (loss) and statements of cash flows for the years ended December 31, 2016 and 2015 is shown on pages 26 through 33. The accompanying schedules of telecommunications plant, accumulated provision for depreciation and amortization, and patronage capital is shown on pages 34 through 36. The consolidating and accompanying information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The consolidating and accompanying information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating and accompanying information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 18, 2017

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Exhibit A

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

ASSETS

	December 31,	
	2016	2015
CURRENT ASSETS		
Cash and Working Funds		
Temporary Cash Investments		
Telecommunications Accounts Receivable (Less provision for uncollectibles of [REDACTED] in 2016 and [REDACTED] in 2015)		
Other Accounts Receivable (Less provision for uncollectibles of [REDACTED] in 2016 and [REDACTED] in 2015)		
Interest Receivable		
Materials		
Prepayments		
OTHER NONCURRENT ASSETS		
Investments in and Advances to Affiliated Companies		
Investments in Associated Organizations		
Investment in Marketable Securities		
Other Noncurrent Investments		
Cash Surrender Value of Life Insurance		
Deferred Charges		
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications Plant in Service		
Plant Under Construction		
Nonoperating Plant		
Less: Accumulated Provision for Depreciation and Amortization		
TOTAL ASSETS		

LIABILITIES AND EQUITIES

CURRENT LIABILITIES	
Current Maturities - Long-Term Debt	
Accounts Payable	
Advance Billing and Payments	
Customer Deposits	
Accrued Taxes	
Accrued Income Taxes	
Accrued Compensated Absences	
Other Current and Accrued Liabilities	
LONG-TERM DEBT	
RUS Mortgage Notes Less Current Maturities	
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS	
Post-Retirement Benefit Obligation Other Than Pensions	
Deferred Credits	
Other Noncurrent Liabilities	
Net Noncurrent Deferred Income Taxes	
EQUITIES	
Patronage Capital	
Other Equities	
Accumulated Other Comprehensive Loss	
TOTAL LIABILITIES AND EQUITIES	

See accompanying notes to the consolidated financial statements.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Exhibit B

CONSOLIDATED STATEMENTS OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	December 31,	
	2016	2015
OPERATING REVENUES		
Local Network Services		
Interstate Access and Universal Service Support		
Intrastate Access Revenue		
Non-Regulated Revenues:		
Internet Network Services		
Equipment Sales, Maintenance and Installation Services		
Commission Revenue		
Long Distance Network Services		
Carrier Billing and Collection Services		
Miscellaneous Revenue		
Uncollectible Revenue		
OPERATING EXPENSES		
Plant Specific Operations		
Plant Nonspecific Operations		
Depreciation Expense		
Customer Operations		
Corporate Operations		
Operating Taxes		
NET OPERATING INCOME BEFORE FIXED CHARGES		
FIXED CHARGES		
Interest on Long-Term Debt		
Allowance for Funds Used During Construction		
NET OPERATING INCOME		
NON-OPERATING INCOME (EXPENSE)		
Interest and Dividends		
Income (Loss) from Affiliated Companies		
Gain of Sale of Marketable Securities		
Other Income (Expenses)		
NET INCOME BEFORE INCOME TAXES		
INCOME TAX EXPENSE		
NET INCOME		
Patronage Capital Retired		
Transfer Subsidiary Income and Losses to Other Equities		
Adjustment to Tax Basis Patronage Allocation		
NET CHANGE IN PATRONAGE CAPITAL		
PATRONAGE CAPITAL - BEGINNING OF YEAR		
PATRONAGE CAPITAL - END OF YEAR		

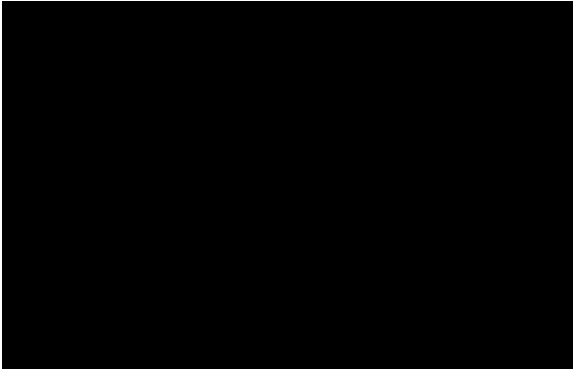
See accompanying notes to the consolidated financial statements.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Exhibit C

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	December 31,	
	2016	2015
NET INCOME		
OTHER COMPREHENSIVE INCOME (LOSS)		
Unamortized Accumulated Post-Retirement Benefit Obligation Other than Pensions		
Unrealized Holding Losses on Securities Arising During the Year (Net of Tax)		
Reclassification Adjustment for Amortization		
COMPREHENSIVE INCOME		

See accompanying notes to the consolidated financial statements.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Exhibit D

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Exhibit B)		
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Depreciation Expense		
Gain of Sale of Marketable Securities		
APBO Net Periodic Cost		
Loss (Income) from Affiliated Companies		
Accounts Receivable		
Deferred Income Taxes		
Capital Credits - Noncash		
Cash Surrender Value of Life Insurance		
Deferred Credits		
Other Noncurrent Liabilities		
Inventories and Other Current Assets		
Accrued Income Taxes		
Payables and Accrued Expenses		
Net Cash from Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Telecommunications Plant		
Salvage Value of Retirements and Other Credits		
Plant Removal Costs		
Net Change in Other Noncurrent Investments		
Proceeds on Sales of Marketable Securities		
Purchases of Marketable Securities		
Distributions from Affiliated Companies		
Distributions from Associated Organizations		
Proceeds from Life Insurance		
Net Cash from Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt to RUS		
Net Change in RUS Cushion of Credit		
APBO Premium Payments		
Retirement of Patronage Capital		
Net Cash from Financing Activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		
CASH AND CASH EQUIVALENTS - END OF YEAR		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest		
Income Taxes		

NONCASH INVESTING AND FINANCING ACTIVITIES

During the years ended December 31, 2016 and 2015, the Cooperative recorded a [REDACTED] in its post-retirement benefit obligation in the amount of [REDACTED] and [REDACTED], respectively. In 2016 the Cooperative recorded an unrealized loss on marketable securities net of tax in the amount of [REDACTED]. The corresponding (decrease) increase is in accumulated comprehensive income or loss.

See accompanying notes to the consolidated financial statements.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Business Activity – Nature of Operations

Five Area Telephone Cooperative, Inc. (the Cooperative) is a telecommunications utility acting as a local exchange carrier within the State of Texas, offering telecommunications services to the public under its Certificate of Public Convenience and Necessity issued by the Public Utility Commission of Texas (the Commission).

Effective December 31, 2014, Five Area Systems, Inc. converted to a Limited Liability Company. The primary business of Five Area Systems, L.L.C. is sales and service of telephone equipment, providing access to the internet, and wireless broadband services. Five Area Systems, L.L.C. purchases all employee related services under an operating agreement with the Cooperative and does not employ any of its own personnel.

West Plains Telecommunications, Inc. (the Company) is a telecommunications utility acting as a local exchange carrier within the State of Texas, offering telecommunications services to the public under its Certificate of Public Convenience and Necessity issued by the Commission. The Company is wholly-owned by its parent company, the Cooperative. The Company purchases all employee related services under an operating agreement with the Cooperative and does not employ any of its own personnel.

The primary business of Five Area Long Distance, Inc. is to provide long distance telecommunications services. These services are provided primarily to customers located in the local exchanges served by the Cooperative and the Company. Five Area Long Distance, Inc. purchases all employee related services under an operating agreement with the Cooperative and does not employ any of its own personnel.

System of Accounts

The accounting records of the Cooperative and the Company conform to the Uniform System of Accounts prescribed by the Federal Communications Commission (FCC) for Class A telephone companies, modified for telephone borrowers of the Rural Utilities Service (RUS).

Principles of Consolidation

The consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiaries, Five Area Systems, L.L.C., Five Area Long Distance, Inc., and West Plains Telecommunications, Inc. All material intercompany transactions have been eliminated.

Regulatory Accounting

The Cooperative and the Company are subject to regulation by the Commission and other federal agencies and follows accounting for regulated enterprises prescribed by Financial Accounting Standards generally accepted in the United States of America.

Revenue Recognition

Monthly service plan revenues derived from local service are billed in advance and recognized in the month that service is provided. Usage sensitive revenues such as access (revenues earned from originating/terminating long distance calls) are generally billed as a per minute charge and are billed in arrears and recognized in the month the service is provided.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Interstate access revenues also include settlements based on the Cooperative's and the Company's participation in the revenue pools administered by the National Exchange Carriers Association (NECA). These revenues are determined by annually determined separation and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. Additionally, the studies are subject to a 24-month pool adjustment period and final review and acceptance by the pool administrators. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2016 and 2015.

The Cooperative's and the Company's federal and state universal service support are intended to compensate the Cooperative and the Company for the high cost of providing rural telephone service. Federal universal service support revenues includes funds received for the high cost loop support, interstate common line support (ICLS), Connect America Fund (CAF), and other miscellaneous programs. High cost loop support and ICLS are based on the Cooperative's and the Company's current relative level of operating expense and plant investment. Support from the CAF is based on a historical frozen amount related to the 2011 plant investment and expenses associated with the switching function and certain 2011 intrastate access revenues (baseline revenues). The baseline revenue used to calculate CAF will be reduced by five percent each year.

Effective November 1, 2016, the FCC required the Cooperative and the Company to elect how it will receive future Federal Universal Support (FUSF) from the options of the Legacy support model or the Alternative Connect America Cost Model (A-CAM). The Cooperative and the Company elected the A-CAM model meaning that effective January 1, 2017, the Cooperative and the Company will discontinue receiving support under the traditional FUSF funding model and will begin receiving fixed support payments for the following ten years on a graduated scale, starting with [REDACTED] in 2017 and decreasing by [REDACTED] each year until 2026 when the funding will be [REDACTED]. The Cooperative and the Company will continue to participate in the special access pool and receive CAF support. For designated service areas for which it is receiving support, the Cooperative and the Company will have an obligation to provide established minimum broadband service penetrations and offer established minimum broadband speeds in those areas. Failure to meet the obligation could result in a reduction and/or repayment of funds.

The Texas Universal Fund provides options for Small ILECs to elect to modify the methodology for calculating their disbursements. The Cooperative and the Company elected the option whereby the Commission shall disburse funds to the companies in fixed monthly amounts. For the 12-month period following the initial period for which a company made an election under this subsection and for subsequent 12-month periods, the most recent annualized support amount calculated by the commission shall be adjusted by a factor equal to the percentage change in the consumer price index for the most recent 12-month period. This state support funding program expires September 1, 2017, at which time the program will be reviewed by the Commission.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The revenue received from the federal and state universal service programs are as follows:

	December 31,	
	2016	2015
Interstate Access Support - CAF		
Interstate Access Support - ICLS		
High Cost Local Loop Support		
State Support		
Total Universal Service Support		

Regulation – The Cooperative's and the Company's services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the Commission.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Federal Universal Service revenues are administered by the Universal Service Administration Company (USAC) based on rules established by the FCC, and by NECA.
- State Universal Service revenues are administered by Solix Solutions based on rules established by the Commission.

Other sources of revenue are not rate regulated and include equipment sales, internet service, DSL service, directory, billing and collection services, commissions, rents and other incidental services.

Operating expenses and telecommunications plant are related primarily to regulated revenues. However, some of these costs jointly related to regulated and non-regulated services. For settlement purposes, USF, rate making and other regulatory purposes, the portion of these common costs related to non-regulated activities are removed from these accounts in accordance with Part 64 of the FCC rules in order to ensure that regulated revenues are based on cost of providing regulated services.

Advertising Costs

The Cooperative and Subsidiaries' policy is to directly expense all non-direct response advertising costs as incurred. The total marketing and advertising costs for the years ended December 31, 2016 and 2015 were [REDACTED] and [REDACTED], respectively.

Other Accounts Receivable

Other accounts receivable consist primarily of receivables from connecting interexchange carriers, NECA, and the federal and state universal service funds.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies for Trade Receivables

In the normal course of business, the Cooperative and Subsidiaries recognize accounts receivable for telecommunications services provided and billed. The Cooperative and Subsidiaries allow 30 days from the date of bill for payment to be received or the service is disconnected. No interest is accrued on delinquent outstanding balances.

The Cooperative and Subsidiaries provide an allowance for doubtful accounts to recognize the portion of the receivables considered uncollectible. The allowance is estimated based on an aging of receivables and is tied to amounts owing in excess of 90 days. Management of the Cooperative and Subsidiaries periodically reviews delinquent accounts and charges off accounts over 180 days old.

Investments

The Cooperative and Company classifies their marketable debt securities as "held-to-maturity" if they have the positive intent and ability to hold the securities to maturity and as "trading securities" if they have the intent to trade the securities in order to maximize profits. All other marketable debt and equity securities are classified as "available-for-sale." Securities classified as "available-for-sale" and as "trading" are carried in the financial statements at fair value. Realized gains and losses, determined using the first-in, first-out (FIFO) method, are included in earnings; unrealized holding gains and losses for securities classified as "available-for-sale" are reported as a separate component of equity; unrealized holding gains and losses for trading securities are included in earnings. Securities classified as "held-to-maturity" are carried at amortized cost.

Investment levels are based on inputs used to calculate fair market value of investments. Those inputs are defined for each level as follows:

Level 1 – Inputs include quoted prices in active markets for identical assets.

Level 2 – Inputs include available indirect information, such as quoted prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active.

Level 3 – Inputs are subjective and generally based on the entity's own assumptions on how knowledgeable parties would price assets and are developed using the best information available in the circumstances.

Securities transactions are recognized on the trade date (the date the order to buy or sell is executed). Income from investments is recorded as earned on an accrual basis.

Group Concentrations of Credit Risk

The Cooperative and Subsidiaries' headquarters facility is located in Muleshoe, Texas. The service area includes subscribers located in a seven county area surrounding the City of Muleshoe. The Cooperative and Subsidiaries record a receivable for telecommunications services revenues as billed on a monthly basis to the subscribers and interexchange carriers. The Cooperative and Subsidiaries require a deposit from its subscribers upon connection which is applied to unpaid bills in the event of default. The deposit accrues interest annually and is

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

returned along with accrued interest after one year of prompt payments. As of December 31, 2016 and 2015, deposits on hand totaled [REDACTED] and [REDACTED], respectively.

The Cooperative and Subsidiaries maintain its cash in various financial institutions, insured by the Federal Deposit Insurance Corporation. Non-interest and interest bearing accounts are insured up to \$250,000. At various times during the year and at year end, the Cooperative and Subsidiaries' cash balances exceeded insured limits.

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flow, the Cooperative and Subsidiaries consider cash – general and temporary cash investments maturing in one year or less to be cash and cash equivalents.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Cooperative and Subsidiaries management has evaluated subsequent events through April 18, 2017, the date the consolidated financial statements were available for issue.

2. Assets Pledged

All assets of West Plains Telecommunications, Inc. are pledged as security for the long-term debt to RUS.

3. Temporary Cash Investments

Temporary cash investments consist of certificates of deposit with maturities of less than one year. Due to the short-term nature of these investments, the carrying value approximates fair value.

4. Materials

Materials are valued at average cost and consist of the following:

	December 31,	
	2016	2015
Construction Materials	[REDACTED]	
Nonregulated Customer Premise		
Equipment Materials		

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Investment in and Advances to Affiliated Companies

Five Area Systems, L.L.C.'s investment in Texas RSA 3 Limited Partnership is reflected on the consolidated financial statements using the equity method whereby Five Area Systems, L.L.C.'s share of the income of Texas RSA 3 Limited Partnership is recorded in the investment account with an offsetting entry to nonoperating income and expense. Five Area Systems, L.L.C. owns [REDACTED] of Texas RSA 3 Limited Partnership.

Texas RSA 3 Limited Partnership provides rural cellular telecommunications services within the geographical area designated as Texas RSA 3 in the State of Texas.

Five Area Systems, L.L.C.'s investment in Texas RSA 3 Limited Partnership is as follows:

	December 31,	
	2016	2015
Net Equity Method Investment	[REDACTED]	
Income (Loss) Recognized from the Partnership	[REDACTED]	

Five Area Systems, L.L.C.'s investment in the Texas Lonestar Network, L.L.C. represents a [REDACTED] limited partnership interest and is reflected on the consolidated financial statements at cost as follows:

	December 31,	
	2016	2015
Initial Capital Contributions	[REDACTED]	
Advances	[REDACTED]	

A summary of financial information for Texas RSA 3 Limited Partnership is as follows:

	December 31,	
	2016	2015
Revenues	[REDACTED]	
Operating Expense		
Nonoperating Income (Expense)		
Net Income (Loss)		
Current Assets		
Fixed Assets and Other Noncurrent Assets		
Total Assets		
Current Liabilities		
Partners' Capital		
Total Liabilities and Partners' Capital		

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During the year ended December 31, 2015, the Texas RSA 3 Limited Partnership sold its assets and is in the process of liquidating the partnership.

The partnership made a distribution in December 2016 to Five Area Systems, L.L.C. in the amount of [REDACTED]. This amount was received and recorded in January 2017.

6. Investments in Associated Organizations

Investments in associated organizations are recorded at the stated amount of the certificate and consist of the following:

	December 31,	
	2016	2015
Five Area Telephone Cooperative, Inc. Patronage Capital in Associated Organizations Class C Stock - Rural Telephone Finance Cooperative Subordinate Capital Certificates - Rural Telephone Finance Cooperative	[REDACTED]	
West Plains Telecommunications, Inc. Patronage Capital Credits: Rural Telephone Finance Cooperative Bailey County Electric Cooperative		
Five Area Systems, L.L.C. NRTC Patronage Capital Credits		
Total Investment in Associated Organizations		

7. Investments in Marketable Securities

Investments in marketable securities are held for an indefinite period of time and thus are classified as "available-for-sale." Unrealized holding gains and losses on such securities are included as a separate component of equity. The cost and fair value of marketable equity securities as of December 31, 2016 are as follows:

	December 31, 2016			
	Cost	Unrealized Holding Loss	Fair Value	Investment Level
Available-for-Sale Securities:				
Mutual Funds	[REDACTED]			

During the year ended December 31, 2016, the Cooperative realized gains on the sale of marketable securities in the amount of [REDACTED].

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In accordance with ASU 2016-01, beginning in 2019 the Cooperative will be required to recognize change in unrealized gains and losses on investments in equity securities in net income.

8. Other Noncurrent Investments

Other noncurrent investments consisted of the following:

	December 31,	
	2016	2015
Certificates of Deposit (Maturing 2017)		
NTCA Retirement and Security Prepayment		

During the year ended December 31, 2016, the Cooperative was given the option to prefund its expected future surcharge contributions to the NTCA Retirement & Security Program. The Company elected to prefund in the amount of [REDACTED]. A fixed rate premium surcharge will be deducted monthly from the prefunded amount over a twelve year period. The prefunding contribution was placed in the NTCA Retirement and Security Program Prefunding Notional Account. The assets are invested by NTCA in the same manner as are the multi-employer Retirement and Security Plan assets. The assets are carried at market value determined based on Level 2 inputs. The earnings on plan assets less surcharge deductions are charged to expense as net periodic cost of the plan benefit. As of December 31, 2016, there are no net periodic costs.

The carrying value of the certificates of deposit approximates fair value.

9. Cash Surrender Value of Life Insurance

The Cooperative owned life insurance policies covering directors with a face amount of [REDACTED]. Upon the death of the insured, the death benefits will be paid to the Cooperative. The Cooperative was obligated to pay [REDACTED] of the death benefit to the insured directors' beneficiaries. As of December 31, 2015, the carrying values of the life insurance policies totaled and [REDACTED]. During the year ended December 31, 2016, the Cooperative cashed in these life insurance policies in the amount of [REDACTED].

The Cooperative has collateral interest in a Key Man life insurance policy owned by a retired employee. The collateral interest is for the Cooperative to recover their cumulative previously paid premiums on the Key Man life insurance policy.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****10. Telecommunications Plant in Service****Plant, Maintenance, and Depreciation – Regulated**

Telecommunications plant in service is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, allowance for funds used during construction, and overhead items. Contributions from others toward the construction of plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined by the continuing property records is credited to plant and such cost, together with cost of removal less salvage is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the removal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to cost of construction and plant specific operations.

Regulated telecommunications plant is depreciated using the straight line basis at annual rates, which will amortize the property over its estimated useful lives. Depreciation lives may be accelerated due to changes in technology or other industry conditions.

Plant, Maintenance, and Depreciation – Non-Regulated

Non-regulated telecommunications plant in service is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, and overhead items. Upon sale or retirement of an asset, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized and included in gain (loss) on disposal of fixed assets. The cost of maintenance and repairs is charged to operating expenses.

Non-regulated telecommunications plant is depreciated using the straight line method over their estimated useful lives. Depreciation lives may be accelerated due to changes in technology or other industry conditions.

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Listed below are the major classes of regulated and non-regulated telecommunications plant in service as of December 31, 2016 and 2015:

	Depreciable Life in Years	Original Plant Cost 2016	Accumulated Depreciation 2016	Net Balance	
				2016	2015
Plant in Service - Regulated:					
FIVE AREA TELEPHONE					
COOPERATIVE, INC.					
General Support Assets					
Central Office Assets					
Cable and Wire Facilities					
WEST PLAINS					
TELECOMMUNICATIONS, INC.					
General Support Assets					
Central Office Assets					
Terminal Equipment Assets					
Cable and Wire Facilities					
Plant in Service - Non-Regulated:					
FIVE AREA SYSTEMS, INC.					
Internet and DSL Equipment					
Home Automation					
Total Plant in Service					
Plant Under Construction					
Nonoperating Plant					
Total Net Plant					

Depreciation expense for the years ended December 31, 2016 and 2015 was [REDACTED] and [REDACTED], respectively.

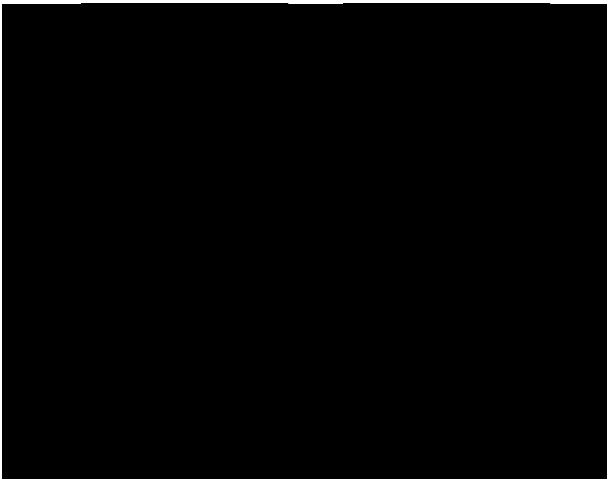
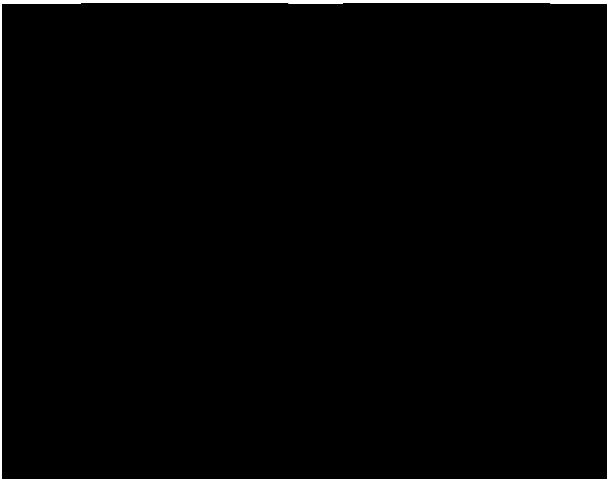
Nonoperating plant represents vacant land, which is currently not in service

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



11. Mortgage Notes – RUS

The mortgage notes due to RUS from the Company are payable to the United States of America. The notes are for 20 year periods, and principal and interest installments are due monthly. Following is a summary of outstanding debt:

	December 31,	
	2016	2015
5.792% Note Due 2016		
5.060% Note Due 2025		
5.130% Note Due 2025		
4.856% Note Due 2025		
4.191% Note Due 2025		
4.163% Note Due 2025		
4.300% Note Due 2025		
2.986% Note Due 2025		
Advance Payments		
Less: Current Maturities		

Estimated long-term debt maturities for the next five years are as follows:

2017	
2018	
2019	
2020	
2021	

The debt covenants in the RUS mortgage notes agreement specify that the Company must maintain a minimum net plant to secured debt ratio (DSC) of  and a times interest earned ratio (TIER) of . At December 31, 2016, the Company complied with these requirements.

The long-term debt agreements contain restrictions on the return to shareholders of capital contributed by them. The terms of the RUS mortgage agreement require the maintenance of defined amounts of stockholder's equity after payment of dividends. There were no dividends paid by the Company in the years ended December 31, 2016 and 2015.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Patronage Capital

Patronage capital consists of the following:

	December 31,	
	2016	2015
Assigned		
Assignable		
Less: Retired		

The Cooperative retired patronage capital totaling [REDACTED] and [REDACTED] during the years ended December 31, 2016 and 2015, respectively.

13. Other Equities

The Cooperative's bylaws provide that its Board of Directors may, at its discretion, elect on an annual basis whether or not it will allocate margins of the Cooperative's subsidiaries as recorded using the equity method. Beginning January 1, 2014, the Cooperative allocates its assignable net income based of the Cooperative's tax based margins. The balance in other equities consist of the margins of the Cooperative's subsidiaries recorded using the equity method beginning January 1, 1995 and the portion of the Cooperative's net income not assigned to patronage capital based off tax based margins.

14. Accumulated Other Comprehensive Loss

Comprehensive income is the display of unrealized gains and losses on available-for-sale securities and unamortized accumulated post-retirement benefit obligation other than pensions that are charged directly to equity instead of the income statement. This display illustrates the effect on net income had the unrealized and unamortized gains and losses been charged to net income.

	December 31,	
	2016	2015
Accumulated Comprehensive Loss		
Balance - Beginning of Year		
Change in Unamortized Accumulated Post-Retirement		
Benefit Obligation Other Than Pensions (APBO)		
Unrealized Holding Losses on Securities		
Arising During the Year (Net of Tax)		
Less: Reclassification Adjustment for Amortization		
of the Unrecognized APBO Recognized		
in Net Income		

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following detail is the summary of amounts included in accumulated comprehensive loss:

	December 31,	
	2016	2015
Unrealized Holding Losses on Securities		
Deferred Income Taxes		
Unamortized Accumulated Post-Retirement		
Benefit Obligation Other Than Pensions (APBO)		

15. Income Taxes

For the tax years ended December 31, 2016 and 2015, the Cooperative did not qualify as a tax exempt organization under Section 501(c)(12) of the Internal Revenue Code and filed as a taxable cooperative. Effective December 31, 2014, Five Area Systems, L.L.C. is considered a disregarded entity and the results of its operations are combined with that of Five Area Telephone Cooperative, Inc. for purposes of federal taxation. Five Area Long Distance, Inc. and West Plains Telecommunications, Inc. are C corporations required to pay federal income taxes and file a consolidated federal income tax return with the Cooperative. Current taxes are allocated to each entities based on the taxable income of each entity. Deferred taxes are allocated to each company on a stand-alone basis.

The Cooperative and Subsidiaries account for deferred taxes using the asset and liability method. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the entities' assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. Income tax expense is based on financial accounting income adjusted for permanent differences between financial accounting and taxable income purposes. The primary permanent differences consist of a deduction allowed for patronage sourced income from the Cooperative's patrons. Utilization of the patronage sourced income deduction effectively reduces the Cooperative and Five Area Systems, L.L.C.'s taxable income to that income derived from nonpatronage sources, which are primarily nonoperating margins.

Deferred income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. The principal sources of deferred income taxes are:

- a) Accelerated depreciation.
- b) Change in the basis of assets in the Texas RSA 3 Limited Partnership.
- c) Unrealized gains and losses on equity securities.

West Plains Telecommunications, Inc., Five Area Systems, L.L.C. and Five Area Long Distance, Inc. are subject to the Texas State Franchise Tax. The State of Texas state franchise tax liability is equal to the gross income apportioned to the State of Texas multiplied by the enacted tax rate.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In accordance with ASU No. 2015-17 Income Taxes, the Cooperative and Subsidiaries classifies all deferred taxes as noncurrent. The net federal and state deferred tax asset and liability in the accompanying balance sheet includes the following components:

	December 31,	
	2016	2015
Net Noncurrent Deferred Income Tax Liability		
Deferred Tax Assets		
Deferred Tax Assets - OCI		
Deferred Tax Liabilities		

The components of federal and state income tax expense are as follows:

	December 31,	
	2016	2015
Current Income Tax Expense - Federal		
Current Income Tax Expense - State		
Deferred Income Tax Expense (Benefit) - Federal		
Deferred Income Tax Expense (Benefit) - State		

The Cooperative and Subsidiaries adheres to the “uncertain tax positions” provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its filing status as a tax exempt entity. The Cooperative and Subsidiaries determined that it is more likely than not that their tax positions will be sustained upon examination by The Internal Revenue Service (IRS), or other State taxing authority, and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative and its Subsidiaries file consolidated income tax returns in the U.S. federal jurisdiction and in the State of Texas. The Companies are no longer subject to U.S. federal and state income tax examinations by federal taxing authorities for years before 2013, and Texas state taxing authorities for years before 2012.

The Cooperative and Subsidiaries recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2016 and 2015.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Employee Benefit Plans

Pension Benefits

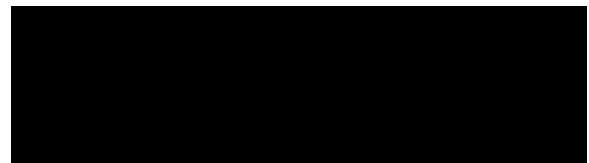
Pension benefits for substantially all employees of the Cooperative are provided through the National Telephone Cooperative Association Retirement and Security Program and Savings Program.

The Retirement and Security Program is a defined benefit pension plan, and the Savings Program is a defined contribution plan. Both plans are exempt from federal income tax under the Internal Revenue Code. The Cooperative makes contributions to the Retirement and Security Program and to the Savings Program equal to amounts accrued for pension expense. The Program is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Retirement and Security Program is a master multi-employer plan, which is available to all members of NTCA. The accumulated benefits and plan assets are not determined or allocated separately by individual employers. The risks of participating in this multiemployer plan are as follows:

- Assets contributed to the plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining employers.
- If the Cooperative chooses to stop participating in the plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Additional information on these plans is as follows:

	December 31,	
	2016	2015
Plan Contributions:		
Retirement and Security Program		
Savings Program		



The Cooperative's employer contributions to these plans represent less than five percent of the total contribution by all plan participants.

There have been no significant changes that affect the comparability of 2016 and 2015 contributions.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement and Security Program Information:

EIN/ Pension Plan Number	Pension Protection Act		Pending / Implemented	Surcharge Imposed
	2015	2014		

There is no Collective Bargaining Agreement.

Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2016 and 2015 is for the plan's year-end at December 31, 2015, and December 31, 2014, respectively. The zone status is based on information that the Cooperative received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP" Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. Because the provisions of the PPA do not apply to the Retirement and Security Program, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

Post-Retirement Benefit Obligation Other Than Pensions

The Cooperative provides post-retirement telecommunication services and medical insurance benefits for eligible employees through a plan with NTCA. Accounting principles generally accepted in the United States of America require the cost of post-retirement health care benefits be recognized on the accrual basis as employees render service to earn the benefit.

Medical Benefits – Health Insurance Premiums

Eligibility	Employees retirement based on age 62 or older with at least 15 years of service or the employee must be 55 years of age or older and have the "Rule of 85". Directors and attorneys are not eligible for the benefits.
Covered Group	Current retirees and active employees are the covered group. When the employee reaches age 62, the Cooperative will cover the employee's spouse.
Period of Coverage	Lifetime.
Type of Plan	National Telephone Cooperative Association (NTCA), VEBA II Trust.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Obligation and Funded Status:

	December 31,	
	2016	2015
Accumulated Post-Retirement Benefit Obligation:		
Retirees		
Actives Fully Eligible		
Actives Not Fully Eligible		
Total		
Plan Assets at Fair Value - (Investment Input Level 2)		
Accrued Post-Retirement Benefit Obligation		

Amounts recognized in accumulated other comprehensive loss consist of:

Net Actuarial Losses
Initial Obligation
Unamortized Prior Service Cost

Net periodic post-retirement health care cost and other changes in plan assets and benefit obligations recognized in comprehensive income:

	December 31,	
	2016	2015
Net Obligation at January 1,		
Net Periodic Post-Retirement Benefit Cost:		
Service Cost During the Period		
Interest Cost on Accumulated Post-Retirement Benefit Obligation		
Expected Return on Plan Assets		
Actuarial Changes Charged to Expense		
Actuarial Gains and Losses		
Benefits Paid by the Cooperative		
Net Obligation at December 31,		

Amounts recognized in accumulated other comprehensive loss:

	December 31,	
	2016	2015
Unrecognized Amount at January 1,		
Amortization of Prior Service Cost		
Amortization of Cumulative Gains and Losses		
Amortization of Initial Obligation		
Actuarial Gains and Losses		
Unrecognized Amount at December 31,		

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amortization of cumulative gains and losses is over the average remaining work life of active employees. Amortization of the prior service cost and the initial obligation is over approximately 14 years and 13 years, respectively.

Actuarial Cost Method:

The actuarial cost method used was the projected unit credit cost method.

Weighted Average Assumptions:

	December 31,	
	2016	2015
Discount rate		
Expected Rate of Return Assumed for Next Year		
Health-Care Cost Trend Rate Assumed For Next Year		
Rate to Which the Cost Trend Rate is Assumed to Decline, Ultimate Trend Rate		
Year That the Rate Reaches the Ultimate Trend Rate		
Obligation Measurement Date		

Plan Assets:

	December 31,	
	2016	2015
Plan Assets at Fair Value (Investment Input Level 2)		

Investment levels are based on inputs used to calculate fair market value of investments. The inputs for Level 2 investments include available indirect information, such as quoted prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active.

The 401(h) pre-funding accounts use the same asset allocation policy as the NTCA Retirement and Security Program which is allocated as follows:

	December 31,	
	2016	2015
Vanguard Mutual Funds:		
Equity		
Fixed Income and Cash		
Real Estate Investment Trust		

Cash Flow:

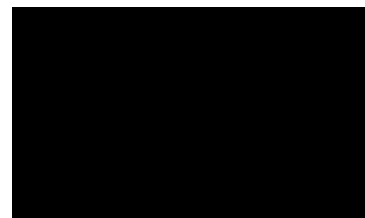
	December 31,	
	2016	2015
Benefits Paid by the Cooperative		
Expected Plan Contributions		

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

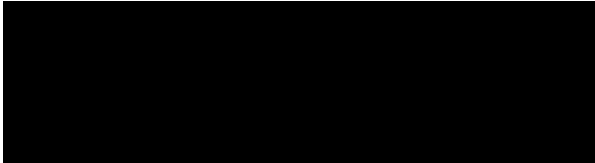
2017
2018
2019
2020
2021
2022-2026




The Medicare Part D Subsidy is currently reflected in the health-care premiums for participants over the age of 65. Assuming that the group health-care plan applied and continues to be eligible for the subsidy, it is estimated that the subsidy will result in an estimated ten percent reduction in the APBO.

17. Other Noncurrent Liabilities

Other noncurrent liabilities consists of the following:




	December 31,	
	2016	2015
Supplemental Retirement Plan		
Deferred Compensation Plan		

The Cooperative entered into an agreement to provide a supplemental retirement plan for a retired employee and a deferred compensation benefit plan to an active employee of the Cooperative as a reward and incentive for services provided by the employees. The deferred compensation benefit for the active employee is in the amount of  and is to vest ratably over a ten year period beginning in August, 1 2026. The accrued vested liability is payable at death, permanent disability, or termination without cause and the vested benefit is payable in ten equal annual payments commencing on or about January 1, 2028 and concluding in 2037.

18. Litigation and Commitments

There is no pending litigation against the Cooperative or its Subsidiaries that would have a material effect on the consolidated financial statements.

19. Leases

The Cooperative and Subsidiaries are currently leasing fiber optic facilities under an operating lease on a month-to-month basis. The monthly lease payment is  for each DS-3 circuit utilized, with additional charges for multiplexing and miles of cable used. The Cooperative and Subsidiaries have other month-to-month lease agreements for tower rent, copiers, and postage machines. The Cooperative incurred lease costs of  and  the years ended December 31, 2016 and 2015, respectively.

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019. The Cooperative and Subsidiaries is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

CONSOLIDATING AND ACCOMPANYING INFORMATION

CONSOLIDATING INFORMATION, 2016

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 1

CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2016

ASSETS

	Five Area Telephone Cooperative	West Plains Telecom. Inc.	Five Area Systems	Five Area Long Distance	Eliminating Entries	Consolidated Total
CURRENT ASSETS						
Cash and Working Funds						
Temporary Cash Investments						
Telecommunications Accounts Receivable (Less provision for uncollectibles of [REDACTED])						
Other Accounts Receivable (Less provision for uncollectibles of [REDACTED])						
Accounts Receivable - Related Parties						
Interest Receivable						
Materials						
Prepayments						
OTHER NONCURRENT ASSETS						
Investments in and Advances to Affiliated Companies						
Investments in Associated Organizations						
Investment in Marketable Securities						
Other Noncurrent Investments						
Deferred Charges						
PROPERTY, PLANT, AND EQUIPMENT						
Telecommunications Plant in Service						
Plant Under Construction						
Nonoperating Plant						
Less: Accumulated Provision for Depreciation and Amortization						
TOTAL ASSETS						
CURRENT LIABILITIES						
Current Maturities - Long-Term Debt						
Accounts Payable						
Accounts Payable - Related Parties						
Advance Billing and Payments						
Customer Deposits						
Accrued Taxes						
Accrued Income Taxes						
Accrued Compensated Absences						
Other Current and Accrued Liabilities						
LONG-TERM DEBT						
RUS Mortgage Notes Less Current Maturities						
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS						
Post-Retirement Benefit Obligation Other Than Pensions						
Deferred Credits						
Other Noncurrent Liabilities						
Net Deferred Income Taxes						
EQUITIES						
Common Stock						
Paid in Capital						
Retained Earnings (Deficit)						
Patronage Capital						
Other Equities						
Accumulated Other Comprehensive Loss						
TOTAL LIABILITIES AND EQUITIES						

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 2

CONSOLIDATING INFORMATION
STATEMENT OF INCOME (LOSS) AND PATRONAGE CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Five Area Telephone Cooperative	West Plains Telecom. Inc.	Five Area Systems	Five Area Long Distance	Eliminating Entries	Consolidated Total
OPERATING REVENUES						
Local Network Services						
Interstate Access and Universal Service Support						
Intrastate Network Access Services						
Non-Regulated Revenues:						
Internet Network Services						
Equipment Sales, Maintenance and Installation Services						
Long Distance Network Services						
Carrier Billing and Collection Services						
Miscellaneous						
Uncollectible Revenue						
OPERATING EXPENSES						
Plant Specific Operations						
Plant Nonspecific Operations						
Depreciation Expense						
Customer Operations						
Corporate Operations						
Operating Taxes						
NET OPERATING INCOME (LOSS) BEFORE FIXED CHARGES						
FIXED CHARGES						
Interest on Long-Term Debt						
Allowance for Funds Used During Construction						
NET OPERATING INCOME (LOSS)						
NON-OPERATING INCOME (EXPENSE)						
Interest and Dividends						
Income (Loss) from Affiliated Companies						
Gain on Sale of Marketable Securities						
Other Income (Expenses)						
NET INCOME (LOSS) BEFORE INCOME TAXES						
INCOME TAX EXPENSE (BENEFIT)						
NET INCOME (LOSS)						
Patronage Capital Retired						
Dividends Paid						
Transfer Subsidiary Income and Losses to Other Equities						
Adjustment to Tax Basis Patronage Allocation						
NET CHANGE IN PATRONAGE CAPITAL						
PATRONAGE CAPITAL - BEGINNING OF YEAR						
PATRONAGE CAPITAL - END OF YEAR						

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 3

CONSOLIDATING INFORMATION
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Five Area Telephone Cooperative</u>	<u>West Plains Telecom. Inc.</u>	<u>Five Area Systems</u>	<u>Five Area Long Distance</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
NET INCOME (LOSS)						
OTHER COMPREHENSIVE INCOME (LOSS)						
Unamortized Accumulated Post-Retirement Benefit Obligation Other than Pensions						
Unrealized Holding Losses on Securities Arising During the Year (Net of Tax)						
Reclassification Adjustment for Amortization						
COMPREHENSIVE INCOME (LOSS)						

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 4

CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Five Area Telephone Cooperative	West Plains Telecom. Inc.	Five Area Systems	Five Area Long Distance	Eliminating Entries	Consolidated Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income (Loss)						
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:						
Depreciation Expense						
Gain on Sale of Marketable Securities						
APBO Net Periodic Cost						
Loss (Income) from Affiliated Companies						
Accounts Receivable						
Accounts Receivable - Related Parties						
Deferred Income Taxes						
Capital Credits - Noncash						
Cash Surrender Value of Life Insurance Policy						
Deferred Credits						
Other Noncurrent Liabilities						
Inventories and Other Current Assets						
Accounts Payable - Related Parties						
Accrued Income Taxes						
Payables and Accrued Expenses						
Net Cash from Operating Activities						
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to Telecommunications Plant						
Salvage Value of Retirements and Other Credits						
Plant Removal Costs						
Net Change in Other Noncurrent Investments						
Proceeds on Sales of Marketable Securities						
Purchases of Marketable Securities						
Distributions from Affiliated Companies						
Distributions from Associated Organizations						
Proceeds from Life Insurance						
Net Cash from Investing Activities						
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments on Long-Term Debt to RUS						
Net Change in RUS Cushion of Credit						
Dividends Paid						
APBO Premium Payments						
Retirement of Patronage Capital						
Net Cash from Financing Activities						
NET CHANGE IN CASH AND CASH EQUIVALENTS						
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR						
CASH AND CASH EQUIVALENTS - END OF YEAR						
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION						
Cash Paid During the Year for:						
Interest						
Income Taxes						
NONCASH INVESTING AND FINANCING ACTIVITIES						
During the year ended December 31, 2016, the Cooperative recorded a decrease in its post-retirement benefit obligation of \$ [REDACTED] and an unrealized loss on marketable securities net of tax in the amount of [REDACTED]. The corresponding decrease in accumulated comprehensive loss in the amount of [REDACTED].						

CONSOLIDATING INFORMATION, 2015

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 5

CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2015

ASSETS

	Five Area Telephone Cooperative	West Plains Telecom. Inc.	Five Area Systems	Five Area Long Distance	Eliminating Entries	Consolidated Total
CURRENT ASSETS						
Cash and Working Funds						
Temporary Cash Investments						
Telecommunications Accounts Receivable (Less provision for uncollectibles of [REDACTED])						
Other Accounts Receivable (Less provision for uncollectibles of [REDACTED])						
Accounts Receivable - Related Parties						
Interest Receivable						
Materials						
Prepayments						
OTHER NONCURRENT ASSETS						
Investments in and Advances to Affiliated Companies						
Investments in Associated Organizations						
Other Noncurrent Investments						
Cash Surrender Value of Life Insurance						
Deferred Charges						
PROPERTY, PLANT, AND EQUIPMENT						
Telecommunications Plant in Service						
Plant Under Construction						
Nonoperating Plant						
Less: Accumulated Provision for Depreciation and Amortization						
TOTAL ASSETS						
CURRENT LIABILITIES						
Current Maturities - Long-Term Debt						
Accounts Payable						
Accounts Payable - Related Parties						
Advance Billing and Payments						
Customer Deposits						
Accrued Taxes						
Accrued Income Taxes						
Accrued Compensated Absences						
Other Current and Accrued Liabilities						
LONG-TERM DEBT						
RUS Mortgage Notes Less Current Maturities						
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDIT						
Post-Retirement Benefit Obligation Other Than Pensions						
Deferred Credits						
Other Noncurrent Liabilities						
Net Deferred Income Taxes						
EQUITIES						
Common Stock						
Paid in Capital						
Retained Earnings (Deficit)						
Patronage Capital						
Other Equities						
Accumulated Other Comprehensive Loss						
TOTAL LIABILITIES AND EQUITIES						

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FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 6

CONSOLIDATING INFORMATION
STATEMENT OF INCOME (LOSS) AND PATRONAGE CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Five Area Telephone Cooperative</u>	<u>West Plains Telecom. Inc.</u>	<u>Five Area Systems</u>	<u>Five Area Long Distance</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
OPERATING REVENUES						
Local Network Services						
Interstate Access and Universal Service Support						
Intrastate Network Access Services						
Non-Regulated Revenues:						
Internet Network Services						
Equipment Sales, Maintenance and Installation Services						
Commission Revenue						
Long Distance Network Services						
Carrier Billing and Collection Services						
Miscellaneous						
Uncollectible (Revenue) Recovery						
OPERATING EXPENSES						
Plant Specific Operations						
Plant Nonspecific Operations						
Depreciation Expense						
Customer Operations						
Corporate Operations						
Operating Taxes						
NET OPERATING INCOME (LOSS) BEFORE FIXED CHARGES						
FIXED CHARGES						
Interest on Long-Term Debt						
Allowance for Funds Used During Construction						
NET OPERATING INCOME (LOSS)						
NON-OPERATING INCOME (EXPENSE)						
Interest and Dividends						
Income from Affiliated Companies						
Other Expenses						
NET INCOME (LOSS) BEFORE INCOME TAXES						
INCOME TAX EXPENSE (BENEFIT)						
NET INCOME (LOSS)						
Patronage Capital Retired						
Transfer Subsidiary Income and Losses to Other Equities						
Adjustment to Tax Basis Patronage Allocation						
NET CHANGE IN PATRONAGE CAPITAL						
PATRONAGE CAPITAL - BEGINNING OF YEAR						
PATRONAGE CAPITAL - END OF YEAR						

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 7

CONSOLIDATING INFORMATION
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Five Area Telephone Cooperative</u>	<u>West Plains Telecom. Inc.</u>	<u>Five Area Systems</u>	<u>Five Area Long Distance</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
NET INCOME (LOSS)						
OTHER COMPREHENSIVE INCOME (LOSS)						
Unamortized Accumulated Post-Retirement Benefit						
Obligation Other than Pensions						
Reclassification Adjustment for Amortization						
COMPREHENSIVE INCOME (LOSS)						

FIVE AREA TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Schedule 8

CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Five Area Telephone Cooperative</u>	<u>West Plains Telecom. Inc.</u>	<u>Five Area Systems</u>	<u>Five Area Long Distance</u>	<u>Eliminating Entries</u>	<u>Consolidated Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income (Loss)						
Adjustments to Reconcile Net Income (Loss) to Net Cash						
from Operating Activities:						
Depreciation Expense						
APBO Net Periodic Cost						
Income from Affiliated Companies						
Accounts Receivable						
Accounts Receivable - Related Parties						
Deferred Income Taxes						
Capital Credits - Noncash						
Cash Surrender Value of Life Insurance Policy						
Deferred Credits						
Other Noncurrent Liabilities						
Inventories and Other Current Assets						
Accounts Payable - Related Parties						
Accrued Income Taxes						
Payables and Accrued Expenses						
Net Cash from Operating Activities						
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to Telecommunications Plant						
Salvage Value of Retirements and Other Credits						
Plant Removal Costs						
Net Change in Other Noncurrent Investments						
Distributions from Affiliated Companies						
Distributions from Associated Organizations						
Net Cash from Investing Activities						
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments on Long-Term Debt to RUS						
Net Change in RUS Cushion of Credit						
APBO Premium Payments						
Retirement of Patronage Capital						
Net Cash from Financing Activities						
NET CHANGE IN CASH AND CASH EQUIVALENTS						
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR						
CASH AND CASH EQUIVALENTS - END OF YEAR						
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION						
Cash Paid During the Year for:						
Interest						
Income Taxes						
NONCASH INVESTING AND FINANCING ACTIVITIES						
During the year ended December 31, 2015, the Cooperative recorded a increase in its post-retirement benefit obligation and a corresponding increase in accumulated comprehensive loss in the amount of [REDACTED]						

ACCOMPANYING INFORMATION

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FIVE AREA TELEPHONE COOPERATIVE, INC.

Schedule 9

ACCOMPANYING INFORMATION
TELECOMMUNICATIONS PLANT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance 12/31/2015	Transfers and Additions	Retirements	Balance 12/31/2016
TELECOMMUNICATIONS PLANT IN SERVICE				
General Support Assets:				
Land				
Vehicles				
Garage Work Equipment				
Other Work Equipment				
Buildings				
Furniture				
Office Equipment				
General Purpose Computers				
Central Office Assets:				
C.O.E. - Digital Electronic Switching				
Circuit Equipment - Digital				
Circuit Equipment - Lightwave				
Circuit Equipment - Analog				
Cable And Wire Facilities:				
Poles				
Buried Cable				
Fiber Optic Cable				
Total Telecommunications Plant in Service				
Nonoperating Plant				
Plant Under Construction				
Total Telecommunications Plant				

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FIVE AREA TELEPHONE COOPERATIVE, INC.

Schedule 10

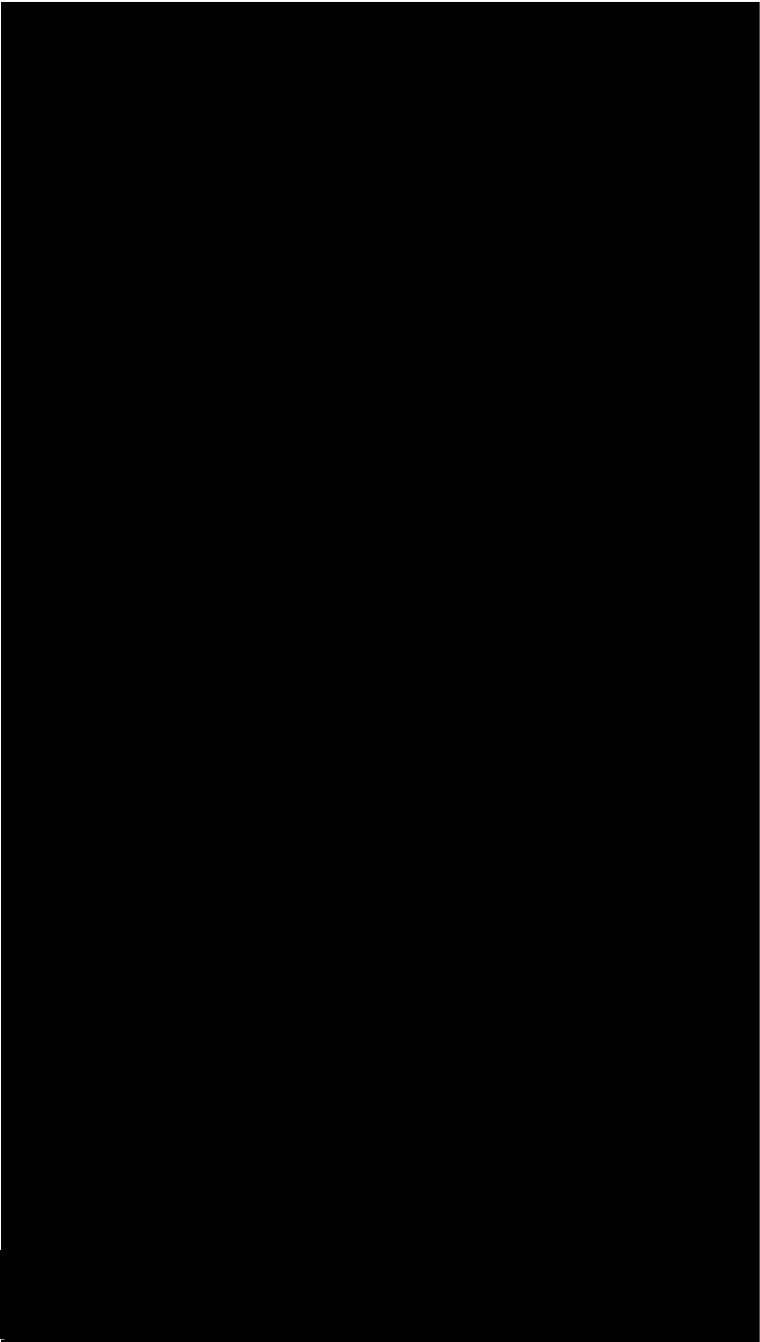
ACCOMPANYING INFORMATION
ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance 12/31/2015	Transfers and Accruals	Retirements	Balance 12/31/2016
General Support Assets:				
Vehicles				
Garage Work Equipment				
Other Work Equipment				
Buildings				
Furniture				
Office Equipment				
General Purpose Computers				
Central Office Assets:				
C.O.E. - Digital Electronic Switching				
Circuit Equipment - Digital				
Circuit Equipment - Lightwave				
Circuit Equipment - Analog				
Cable And Wire Facilities:				
Poles				
Buried Cable				
Fiber Optic Cable				
 Total Telecommunications Plant				
 (1) Original Cost of Plant Retired				
Add: Cost of Removal				
Less: Salvage Value				

FIVE AREA TELEPHONE COOPERATIVE, INC.

Schedule 11

ACCOMPANYING INFORMATION
PATRONAGE CAPITAL
DECEMBER 31, 2016

Year	Assignable	Assigned	Retired	Balance
1969	\$			
1970				
1971				
1972				
1973				
1978				
1979				
1980				
1981				
1982				
1983				
1984				
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2008				
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2010				
2011				
2012				
2013				
2014				
2015				
2016				

(1) 2016 Net Income
Transfer Subsidiary Income and
Losses to Other Equities

